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FISCAL IMPACT STATEMENT

LS 7954

BILL NUMBER: SB 511

NOTE PREPARED: Feb 8, 2005

BILL AMENDED:

SUBJECT: Marion County Law Enforcement Consolidation.

FIRST AUTHOR: Sen. Lubbers

BILL STATUS: As Introduced

FIRST SPONSOR:

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

Property Tax Provision: It establishes the annual maximum increase in the permissible ad valorem property tax levy for a consolidated city related to the Police Special Service District.

Consolidation of Police Services: It consolidates the law enforcement services of the consolidated city and the county into the Metropolitan Law enforcement Agency (Agency). It provides that the Chief of Police (Chief) operates the Agency with oversight by a Chief's Merit Board and the Metropolitan Police Commission. It also establishes a Transition Advisory Board to integrate law enforcement functions and personnel into the Agency.

It provides a process for consolidating the law enforcement services of an excluded city into the Agency. It establishes the qualifications to become a member of the Agency and it establishes the powers and duties of Agency members. It requires the chief to adopt a classification of ranks, grades, and positions and disciplinary rules and orders for the Agency, and it establishes a disciplinary administrative process for Agency members.

It provides for the appointment of temporary administrative ranks or positions and police reserve officers. It also establishes a procedure to determine the maximum meal allowance for prisoners in the sheriff's custody, and it establishes a Jail Commissary Fund and inmates' trust funds.

Consolidation of Pensions: It continues the existing Sheriff's Pension Trust to provide retirement benefits for county police officers appointed before January 1, 2006, and it provides that new appointments to the Agency become members of the 1977 Fund. It establishes a death benefit, disability benefit, and dependents' benefit

for a sheriff or county police officer who completes an application for benefits before January 1, 2006. It provides that a police officer who is a member of the 1925, 1953, or 1977 Fund remains a member of the same Fund after the consolidation.

It provides that a police officer whose services for an entity are consolidated into the Metropolitan Law Enforcement Agency of a consolidated city becomes a member of the 1977 Fund. It also permits the Sheriff of a county having a consolidated city to become a member of the 1977 Fund upon the request of the executive of the consolidated city.

Effective Date: Upon passage; July 1, 2005; January 1, 2006.

Explanation of State Expenditures: *Property Tax Replacement Credits:* The state pays Property Tax Replacement Credits (PTRC) in the amount of 60% of school general fund levies attributable to all property and 20% of the portion of all operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and non-business personal property. Homestead credits are paid by the state in the amount of 20% of the net property tax due for qualifying funds on owner-occupied residences.

Total maximum permissible levies would not be affected by the bill. If consolidation of law enforcement services produces any cost savings that translate to property tax reductions, then state expenses for PTRC and homestead credits would fall along with local levies. Any decision to reduce levies would be left to local authorities.

Explanation of State Revenues:

Explanation of Local Expenditures: *General Provisions:* Any savings achieved under this bill would depend on the actions of management and the efficiencies gained by combining law enforcement services.

Background on General Provisions: Under the bill, the sheriff would direct and control 1) county jail operations and facilities; 2) emergency communications; 3) security for buildings and property owned by the consolidated city, the county, or both; 4) service of court documents, and 5) sex offender registration. Also, under the bill, the law enforcement services for the consolidated city and county would be combined in the MLEA.

Under the bill, the Sheriff appoints a prison matron and may employ assistant matrons to receive, search, and care for female prisoners and male prisoners less than 14 years of age. The sheriff may also appoint a chief deputy and additional deputies or assistants. The sheriff has the power to appoint special deputies to have the powers of a law enforcement officer and to serve as county jail guards, as needed. The Sheriff is given a meal allowance for prisoners, and a Jail Commissary Fund and inmate trust funds are established under the bill.

The Chief of the MLEA, appointed by the city executive, would recommend the number and salary of MLEA members and the city-county legislative body would determine the final budget and salaries of the MLEA. The existing merit boards and systems would be abolished and transferred to a seven member Chief's Merit Board. The Chief, with the approval of the Chief's Merit Board, establishes classifications for members of the Agency. Also, the Metropolitan Police Commission is established under the bill to approve a Metropolitan Law Enforcement Agency Transition Plan and the organizational structure of the MLEA including its patrol areas and levels. After the transition, the Metropolitan Police Commission serves as a permanent oversight body for the MLEA, approving procurement and implementation of resource allocation studies, and consulting with the

Chief concerning the creation and operation of an internal affairs division. Further, a Transition Advisory Board is established, consisting of members of the Metropolitan Police Commission and other members appointed by the Chief.

Consolidation of Police Pensions: This bill freezes the Marion County Sheriff's Pension Trust Fund to new entrants, effective January 1, 2006. All new law enforcement employees hired after December 31, 2005, will enter the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund). In most cases, there will be no fiscal impact to the funds, in that any additional expenditures due to the entry of newly hired personnel into the 1977 Fund will be offset by the lack of new members entering the Marion County Sheriff's Pension Trust Fund. However, the bill does permit the possibility of adding to the 1977 Fund police officers who may currently be providing services for an entity in Indianapolis, but who are not currently covered under a pre-funded pension plan. To the extent that this occurs, the 1977 Fund could be negatively impacted.

In addition, the bill permits, upon the request of the executive of the consolidated city, that the sheriff of Marion County become a member of the 1977 Fund (funded by other cities and towns in Indiana) rather than the Marion County Sheriff's Pension Trust Fund (funded by Marion County). To the extent that this move affects the employer contribution rate, some of the costs to the fund for this individual could shift to other cities and towns in Indiana. However, the statewide impact, if any, is expected to be minimal.

Explanation of Local Revenues: *Police Service District Maximum Levies:* Beginning with property taxes paid in CY 2007, this proposal would increase the consolidated city's maximum permissible levy by the unused portion of the current police special service district maximum levy each year. The increase would be limited to 10% each of the 2006 maximum levy for the police special service district. It would appear that the police special service maximum levy could, over a period of several years, be migrated over to the consolidated city if local authorities wish to do so.

However, the bill requires the special police district to impose the required levy to pay the funding deficit in a year for the 1953 police pension fund. It is unclear whether operational funding for the MLEA will be required or merely permitted to be paid from a property tax levy in the police special service district.

In CY 2004, the maximum levy for the police special service district was \$45.2 M. The CY 2005 maximum levy is lower than the 2004 amount because not all of the 2004 levy authority was used. The 2005 maximum levy is \$44.3 M. Assuming a 3.9% growth, the maximum levy would total \$46.0 M in 2006. So, the greatest amount that may be transferred each year from the police district maximum levy to the consolidated city's maximum levy is estimated at \$4.6 M.

Under current law, any levy authority that is not used in a year is lost. This provision allows the consolidated city to capture all unused levy authority in the police special district, including both intended migration amounts and the amount, if any, that would have been lost under current law due to a local decision to levy an amount that is less than the maximum.

State Agencies Affected:

Local Agencies Affected: Marion County.

Information Sources:

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